

21

Deducting Moving Expenses to a New Job Location

You may deduct unreimbursed expenses of moving your household goods and travel to a new job location, provided you meet—

- A 50-mile distance test, and
- A time test for remaining in the new location.

You claim the moving expense deduction as an adjustment to gross income on Form 1040, Line 24, whether you claim the standard deduction or itemized deductions.

If your expenses are reimbursed, you do not have to report the reimbursement, provided your employer reimburses you under an accountable plan; see ¶20.31 and ¶21.6.

What Moving Costs Are Deductible

The Distance Test

The 39-Week Test for Employees

The 78-Week Test for the Self-Employed and Partners

Claiming the Deduction

Reimbursements of Moving Expenses

Also see:

Moving Overseas

See ¶

21.1

21.2

21.3

21.4

21.5

21.6

Chapter 36

¶21.1 What Moving Costs Are Deductible

If the distance test (¶21.2) and time test (¶¶21.3–21.4) are met, you may deduct on your 1996 return the following unreimbursed moving expenses incurred during 1996:

1. Traveling costs of yourself and members of your household en route from your old to the new locality. Here, you include the costs of transportation and lodging for yourself and household members while traveling to your new residence. Lodging before departure for one day after the old residence is unusable and lodging for the day of arrival at the new locality are included. If you use your own car, you may either deduct your actual costs of gas, oil, and repairs (but not depreciation) during the trip or take a deduction based on the rate of 10¢ a mile. Also add parking fees and tolls.

Meal expenses are not a deductible moving expense.

2. The actual cost of moving your personal effects and household goods. This includes the cost of packing, crating, and transporting furniture and household belongings, in-transit storage up to 30 consecutive days, insurance costs for the goods, and the cost of moving a pet or shipping an automobile to your new residence. You may also deduct expenses of moving your effects from a place other than your former home, but only up to the estimated cost of such a move from your former home. Also deduct the cost of connecting or disconnecting utilities when moving household appliances. The cost of connecting a telephone in your new home is not deductible.

In one case, a moving expense deduction was allowed for the cost of shipping a sailboat. The IRS had disallowed the deduction, claiming the sailboat was not a “personal effect.” The Tax Court, however, allowed the deduction based on these facts: the couple were active sailors and frequently used the boat; they lived on the sailboat for two weeks immediately before they moved and also for nine weeks after they arrived in the new location; and they kept on board personal effects such as a refrigerator, kitchen utensils, and chairs. According to the court, the boat was so “intimately related” to their lifestyle that it should be considered a deductible personal effect.

It is not necessary for you and members of your household to travel together or at the same time to claim the deduction or the expenses incurred by each member.

Delay in moving to new job location. You may delay moving to the area of a new job location. A delay of less than one year does not jeopardize a deduction for moving expenses. Furthermore, if you move to the new job area within one year, your family may stay in the old residence for a longer period. Their later moving expenses will generally be deductible, even though incurred after one year. For example, the IRS allowed a moving expense deduction to a husband who immediately moved to a new job location, although his wife and children did not join him until 30 months after he began the new job. They delayed so that the children could complete their education. The IRS held that since part of the moving expenses were incurred within one year, the moving expenses incurred later were also deductible.

Non deductible expenses. You may not deduct the cost of travel incurred for a maid, nurse, chauffeur, or similar domestic help (unless the person is also your dependent), expenses of refitting rugs and drapes, forfeited tuition, car tags or driver’s license for the state you move to, losses on disposing of memberships in clubs, mortgage penalties, expenses for trips to sell your old house, or loss on the sale of the house. Furthermore, when your employer reimburses you for such costs, you realize taxable income equal to the amount of the reimbursement.

You may not deduct the cost of transporting furniture which you purchased en route from your old home.

You may not deduct the cost of pre-move house-hunting trips, temporary living expenses, or expenses of selling, purchasing, or leasing the old or new residence, such as attorneys’ fees, real estate fees, or costs of settling an unexpired lease. Meal expenses while traveling to your new residence are not deductible.

¶21.2 The Distance Test

The distance between your new job location and your former home must be at least 50 miles more than the distance between your old job location and your former home. For this purpose, your home may be a house, apartment, trailer, or even a houseboat, but not a seasonal residence such as a summer cottage. If you had no previous job or you return to full-time work after a long period of unemployment or part-time work, the new job location must be at least 50 miles from your former home. Self-employed individuals are also subject to the mileage test.



Meeting the Mileage Test

Use the following worksheet to see if your move satisfies the 50-mile test. Find the shortest of the most commonly traveled routes in measuring the distances.

Distance between	In miles
1. Old residence and new job location	_____
2. Old residence and old job location	_____
3. Difference (must be at least 50 miles)	_____

The location of your new residence is not considered in applying the mileage test. However, if the distance between your new residence and the new job location is more than the distance between your old residence and new job location, your moving expenses may be disallowed unless you can show (1) you are required to live there as a condition of employment; or (2) an actual decrease in commuting time or expense results.

If you worked for more than one employer, you find the shortest of the most commonly traveled routes from your old residence to your former principal place of employment.

Your job location is where you spend most of your working time. If you work at various locations, the job location is where you report to work. If you work for several employers on a short-term basis and get jobs through a union hall system, the union hall is considered your job location.

Moving overseas. A member of the Armed Services may deduct the cost of moving his or her family to an overseas post.

If you take a new job overseas, and qualify for the foreign earned income exclusion, moving expenses allocable to the excluded income are not deductible; see ¶36.7.

Alien moving to the U.S. The deduction is not limited to U.S. citizens and residents. An alien may deduct the cost of travel here to work at a full-time position.

EXAMPLES

1. Your company's office is in the center of a metropolitan area. You live 18 miles from your office. You are transferred to a new office and buy a new house. To deduct moving costs, you must show that the location of the new office is at least 50 miles from your previous residence.
2. Your old job was four miles from your former residence and your new job is 55 miles from your former residence. You move to a house that is less than 50 miles from your old house. Nevertheless, you have met the 50-mile test since your new job is 51 miles further from your former home than your old job was.

¶21.3 The 39-Week Test for Employees

In addition to meeting the distance test (¶21.2), you must remain in the new locality as a full-time employee for at least 39 weeks during the 12-month period immediately following your arrival at the new job location. You do not need to have a job prior to your arrival at the new location. Your family does not have to arrive with you. The 39 weeks of work need not be consecutive or with the same employer. You may change jobs provided you remain in the same locality for 39 weeks. The 39-week test does not apply to employees who become disabled and lose their jobs, or who die.

If you lose your job for reasons other than your willful misconduct, the 39-week requirement is waived. Should you resign or lose your job for willful misconduct, a part-time job will not satisfy the 39-week test. The time test is not waived because you reach mandatory retirement age first, where this retirement was anticipated.

If you are temporarily absent from work through no fault of your own, due to illness, strikes, shutouts, layoffs, or natural disasters, your temporary absence is counted in the 39 weeks.

EXAMPLE

You accept a position with a company 600 miles from your former position. You move to the new location. After you have worked in the new position 14 weeks, you resign and take another job with a nearby company. You may add the 14 weeks of work with the first company to 25 weeks with the second company to meet the 39-week requirement.

Job transfers. The 39-week period is also waived if you are transferred from your new job for your employer's benefit. However, it must be shown that you could have satisfied the 39-week test except for the transfer.

What if *you* initiate the transfer? The IRS held in a ruling that the 39-week test is not waived if an employee initiates the transfer, even if the employer approves. An individual was not allowed to deduct the costs of moving across the country to take a government position when, within 39 weeks of taking the position, he applied for and took another government job in another area. The IRS disallowed the deduction, although the government reimbursed part of the employee's moving expenses to the new job post, thereby indicating that it considered the transfer to be in the government's interest. According to the IRS, the waiver of the 39-week test applies to transfers initiated by employers, not by employees.

Full-time status. This is determined by the customary practices of your occupation in the area. If work is seasonal, off-season weeks count as work weeks if the off-season period is less than six months and you have an employment agreement covering the off-season.

Joint returns. On a joint return, either spouse may meet the time test. But the work time of one spouse may not be added to the time of the other spouse.

EXAMPLE

Smith moves from New York to a new job in Denver. After working full time for 30 weeks, he resigns from his job and cannot find another position during the rest of the 12-month period. He may not deduct his moving expenses. But assume that Mrs. Smith also finds a job in Denver at the same time as her husband and continues to work for at least 39 weeks. Since she has met the 39-week test, the moving expenses from New York to Denver paid by her husband are deductible, provided they file a joint return. However, if Mrs. Smith had worked for only nine weeks, her work period could not be added to her husband's to meet the 39-week test.

¶21.4 The 78-Week Test for the Self-Employed and Partners

In addition to meeting the distance test (¶21.2), you must work full time for at least 78 weeks during the 24 months immediately following your arrival, of which at least 39 weeks occur in the first 12 months. The full-time work requirement may prevent semiretired hobbyists, students, or others who work only a few hours a week in self-employed trades or occupations from claiming the deduction.

You are considered to have obtained employment at a new principal place of work when you have made substantial arrangements to begin such work.

The time test is waived if disability or death prevents compliance.

Change of employee or self-employed status. If you start work at a new location as an employee and then become self-employed before meeting the 39-week employee time test, you must meet the 78-week test. Time spent as an employee is counted along with the time spent self-employed in meeting the test.

If, during the first 12 months, you change from working as a self-employed person to working as an employee, you may qualify under the 39-week employee time test, provided you have 39 weeks of work as an *employee*. If you do not have 39 weeks as an employee in the first 12 months, you must meet the 78-week test.

Joint returns. Where you file a joint return, you deduct moving expenses if either you or your spouse can satisfy the time test based on individual work records.

¶21.5 Claiming the Deduction

Qualifying unreimbursed moving expenses (¶21.1) incurred during 1996 are deductible on your 1996 return whether you claim the standard deduction or itemize deductions. Report your expenses and nontaxable employer reimbursements on Form 3903. Qualifying unreimbursed moving expenses from Form 3903 are then deducted on Form 1040, Line 24, as an adjustment to gross income.

Claiming the deduction before meeting the time test. If the due date for filing your tax return arrives before you can satisfy the applicable time test, you may, nevertheless, deduct unreimbursed moving

expenses. If you file your return without taking the deduction, you may file an amended return after meeting the time test to claim the deduction.

EXAMPLE

You move to a new location on November 1, 1996. At the end of the year, you have worked in your new position only nine weeks. You deduct your moving expenses on your 1996 tax return even though you did not complete the 39- or 78-week period of work. But if, after you file the 1996 return, you move from the location before completing the applicable 39-week or 78-week work period, you must report as income the amount of moving expenses deducted in 1996 on the return for the year you move from the location. Alternatively, you may file an amended 1996 return on which you eliminate the deduction.

¶21.6 Reimbursements of Moving Expenses

If your employer reimburses you for deductible moving expenses (¶21.1) under an accountable plan, the reimbursement should not be reported as salary or wage income on Form W-2. The requirements for an accountable plan are similar to those discussed for business travel expenses at ¶20.31.

A reimbursement for expenses that do *not* qualify for a deduction, such as pre-move house-hunting costs, temporary living expenses, meal costs or real estate expenses is reported as compensation on your Form W-2.

On Form 3903, you report your deductible expenses in excess of nontaxable reimbursements, and enter the deductible amount on Form 1040, Line 24, as an adjustment to gross income.

If in 1996 you had deductible moving expenses which you claim on your 1996 return, and you receive a reimbursement for the expenses in 1997, you report your employer's reimbursement as compensation in 1997.

Reimbursements on the sale of a home. To encourage or facilitate an employee's move, an employer may reimburse the employee for a loss incurred on the sale of his or her home. The IRS taxes such reimbursements as pay.